

**DONATION FOR INDIA'S FIGHT**  
**AGAINST COVID-19**  
**AND**  
**ITS INCOME TAX IMPLICATIONS**

# PM CARES FUND

- At a time when India is battling the COVID-19 pandemic, the Prime Minister's Citizen Assistance and Relief in Emergency Situations fund was created on 28<sup>th</sup> March, 2020.
- The fund is widely known as the PM CARES Fund.



**PM CARES**  
Prime Minister's Citizen Assistance and Relief  
in Emergency Situations Fund



## Business Standard

### Covid-19: Centre allows 100% tax rebate for contributions to PM CARES

live**mint**

PM-CARES Fund: What to know about tax benefit offered to individuals, corporates

SATURDAY, APRIL 04, 2020

ENGLISH

हिन्दी

INDIA TV



LIVE TV



VIDEOS

CORONAVIRUS

INDIA

BUSINESS

ENTERTAINMENT

SPORTS

HEALTH

TECH

PHOTOS

WORLD

LIFESTYLE



Trending ▶ Coronavirus Crisis Live Updates Breaking News Coronavirus District Wise List Coronavirus

## PM-CARES Fund: Here's how you can make donations for the emergency situation

hindustan**times**

PM CARES fund: The tax benefits for individuals and corporate, all you need to know

All you need to know about making donations to PM CARES fund and the associated tax exemption benefits.

THE ECONOMIC TIMES

Politics and Nation

LATEST NEWS Kerala to test says CM Pinar

PM-CARES fund to have up to 13 eminent experts

# PM CARES FUND - PURPOSE

- It is different from the Prime Minister's National Relief Fund which was set up in 1948.
- The purpose of the fund is to combat, contain and relief efforts against the coronavirus outbreak and similar pandemic situations in the future.
- Accordingly, the fund was set up and will be used for disaster management research.
- The fund enables micro-donations.
- The minimum donation that will be accepted for the PM CARES Fund is INR 1.

# PM CARES FUND – INCOME TAX IMPACT

- The donations made towards the PM CARES Fund can be claimed as contribution to corporate social responsibility by companies.
- The donations made to the PM CARES Fund are eligible for 100% deduction under section 80G of the Income Tax Act, 1961.
- Further, these donations shall not be subject to the qualifying limit on deduction of 10% of gross total income (this has been explained in the upcoming slides).
- Date for claiming the deduction under section 80G for FY 2019-20 has been extended up to 30<sup>th</sup> June, 2020 i.e. donations made up to 30<sup>th</sup> June, 2020 shall be eligible for deduction from income for F.Y. 2019-20 at the option of the donor.

# DONATIONS TOWARDS COVID-19 FIGHT - TAX IMPACT

- Apart from donations made to the PM CARES Fund, donations may also be made to other organisations helping India's fight against COVID-19.
- Donations made to NGOs, Charitable Trusts, Section 8 Companies etc. which are registered under the Income Tax Act, 1961, shall be eligible for deduction @ 50% of the "qualifying amount" under section 80G of the Act.
- The abovementioned organisations would issue a receipt as well as a copy of their 80G certificate for the donation made against which the deduction can be claimed in the return of income.
- The extension of time limit up to 30<sup>th</sup> June, 2020, to claim benefit of deduction under section 80G is applicable to these donations as well.

# DONATIONS – GENERAL TAX IMPACT

- Donation to a charitable organisation registered with the Income-tax department entitles the donor to a deduction from taxable income.
- The deduction under section 80G is available to all donors irrespective of their status, namely, individual, HUF, firm, LLP, company etc.
- Accordingly, an individual may donate from a firm in which he/she is a partner if the firm is in the higher tax slab.
- A few sections under Chapter VIA specifically provide for deduction only if the source of such contribution is 'out of total income chargeable to tax'. This indicates that exempt income CANNOT be the source.
- Section 80G does not impose any such restriction. Therefore, the source of the donation may be current year's total income or savings of the past income or even exempt income (as clarified by CBDT vide instruction no. F.No.45/313/66-ITJ(61) dated 02.12.1996).

# DONATIONS – GENERAL TAX IMPACT

- Section 80G does not rule out the possibility of making a donation and claiming the benefit of deduction, either to the PM CARES Fund or any other trust/institution through borrowed money.
- Contribution in kind does not entitle a taxpayer to claim deduction under the section. Therefore, contribution in the form of masks, medicines, food etc. are not eligible for donation under section 80G.
- Donation in any form and for any purpose to any religious trust/institution is not eligible for deduction under section 80G (as clarified by SC in case of Upper Ganges Sugar Mills Ltd.'s case 227 ITR 578)
- The quantum of deduction depends on which trust the donation has been given to.
- Donations to certain specific trusts /funds like the PM National Relief Fund or PM CARES Fund entitle the donor to a 100% deduction. Thus, if a donation of Rs. 100 is given to such a fund, the deduction would be Rs. 100.



# DONATIONS – GENERAL TAX IMPACT

- Donations to other trusts / funds entitle the donor to a 50% deduction.
- In some cases, this 50% is without any other limit.
- But in most cases, this deduction of 50% is calculated at 50% of qualifying amount.
- The qualifying amount is lower of:
  - ✓ Actual donation given
  - ✓ Gross total income as reduced by other Chapter VI-A deductions (e.g. 80C, 80D etc) (i.e. all deductions other than 80G itself)
- As a result of these restrictions, in some cases, the actual deduction that can be claimed could be less than 50% of the amount donated. It all depends on the level of income that the donor earns.

**LET US SEE HOW THIS ACTUALLY WORKS**

# PM CARES FUND V/S OTHER FUNDS

## ASSESSMENT YEAR 2020-21 (F.Y. 2019-20)

PARTICULARS	DONATION TO PM CARES FUND		DONATION TO OTHER FUND/ ORGANISATION	
<u>Income from Salary</u>				
Gross Salary	8,00,000		8,00,000	
Less: Standard deduction	50,000		50,000	
Less: Profession tax	2,500		2,500	
		7,47,500		7,47,500
<u>Income from House Property</u>				
Rent received	7,20,000		7,20,000	
Less: Standard deduction u/s 24	2,16,000		2,16,000	
		5,04,000		5,04,000
Income from Other Sources		3,25,000		3,25,000
<b>GROSS TOTAL INCOME</b>		<b>15,76,500</b>		<b>15,76,500</b>
<u>Less: Deduction under Chapter VIA</u>				
Section 80C - LIC, PPF etc	1,50,000		1,50,000	
Section 80D – Mediclaim	25,000		25,000	
<b>Section 80G - Donation (Note 1)</b>	<b>1,50,000</b>		<b>70,075</b>	
		3,25,000		2,45,075
<b>TOTAL TAXABLE INCOME</b>		<b>12,51,500</b>		<b>13,31,425</b>

# PM CARES FUND V/S OTHER FUNDS

**ASSESSMENT YEAR 2020-21 (F.Y. 2019-20)**

## NOTE 1

PARTICULARS	DONATION To PM CARES FUND		DONATION TO OTHER FUND/ORGANISATION	
Donation Made (A)	1,50,000			1,50,000
Gross Total Income	-		15,76,500	
Less: Deduction under Chapter VIA - other than section 80G	-		1,75,000	
	-		14,01,500	
10% of above amount (B)		N.A.		1,40,150
Qualifying amount - lower of (A) and (B)		N.A.		1,40,150
Maximum deduction allowable - 50% of qualifying amount				70,075
Maximum deduction allowable - 100% of donation made (A)		1,50,000		

**ELIGIBILITY FOR DEDUCTION U/S 80G IN  
RESPECT OF DONATIONS MADE  
AFTER 31<sup>ST</sup> MARCH, 2020 BUT BEFORE 30<sup>TH</sup>  
JUNE  
OR  
AFTER 30<sup>TH</sup> JUNE, 2020**

# DONATIONS UNDER SECTION 80G FOR A.Y. 2021-22

- Donors making donations between 1<sup>st</sup> April, 2020 and 30<sup>th</sup> June, 2020, shall have the option to claim the benefit of deduction under section 80G in A.Y. 2020-21 **or** A.Y. 2021-22.
- It is important to note that in case of the above mentioned donations, the assessee should make sure that the benefit of the deduction is not claimed in both assessment years. There should not be misuse of this relaxation given by the government.
- Assessee not maintaining books of accounts must keep a record of the year in which the deduction in respect of the donation made between 1<sup>st</sup> April, 2020 and 30<sup>th</sup> June, 2020 was claimed/is to be claimed.

# DONATIONS UNDER SECTION 80G FOR A.Y. 2021-22

- Donations made post 30<sup>th</sup> June, 2020 will undoubtedly be eligible for deduction from income in A.Y. 2021-22 (i.e. F.Y. 2020-21).
- However, during the course of the budget speech in February, 2020, our Hon'ble finance minister Mrs. Nirmala Sitharaman had proposed the introduction of an optional tax regime wherein, taxpayers could opt for lower tax rates by foregoing majority of the existing deductions for A.Y. 2021-22.
- The Finance Act, 2020, has been passed and the optional tax regime is incorporated in the Income Tax Act, 1961.

## DONATIONS UNDER SECTION 80G FOR A.Y. 2021-22

- Caution needs to be exercised on the registration status in case of donations made to trusts / funds other than the government run ones.
- As per recent amendment brought in vide Finance Act, 2020, tax exemption registration of all the trusts/institutions are going to be withdrawn by 31<sup>st</sup> May, 2020. Along with this, even the 80G approval will be withdrawn and all existing trusts will need to reapply for registration.
- Therefore, if an assessee contributes to a trust/ institution on or after 1<sup>st</sup> June, 2020, there could be an issue in claiming the deduction if the trust/ institution does not apply for re-registration or if the application for re-registration is rejected.

**LET US NOW HAVE A LOOK AT HOW THE  
ELIGIBILITY TO CLAIM DEDUCTIONS WILL  
PLAY OUT UNDER THE OLD TAX REGIME VS  
THE NEW TAX REGIME**



# DONATIONS- OLD TAX REGIME VS NEW TAX REGIME

## ASSESSMENT YEAR 2021-22 DONATION TO PM CARES FUND

PARTICULARS	A.Y. 2021-22 (Old Regime)		A.Y. 2021-22 (New Regime)	
<u>Income from Salary</u>				
Gross Salary	10,00,000		10,00,000	
Less: Standard deduction	50,000		-	
Less: Profession tax	2,500		-	
		9,47,500		10,00,000
<u>Income from House Property</u>				
Rent received	8,40,000		8,40,000	
Less: Standard deduction u/s 24	2,52,000		2,52,000	
		5,88,000		5,88,000
Income from Other Sources		3,50,000		3,50,000
<b>GROSS TOTAL INCOME</b>		<b>18,85,500</b>		<b>19,38,000</b>
<u>Less: Deductions under Chapter VIA</u>				
Section 80C - LIC, PPF etc	1,50,000		-	
Section 80D – Mediclaim	25,000		-	
Section 80G - Donation to PM Cares Fund (Note 1)	1,50,000		-	
		3,25,000		-
<b>TOTAL TAXABLE INCOME</b>		<b>15,60,500</b>		<b>19,38,000</b>
<u>Note 1</u>				
Donation given to PM CARES Fund	1,50,000		1,50,000	
Allowable-100% of donation made		1,50,000		1,50,000

# DONATIONS- OLD TAX REGIME VS NEW TAX REGIME

## ASSESSMENT YEAR 2021-22 DONATION TO OTHER FUND/ORGANISATION

PARTICULARS	A.Y. 2021-22		A.Y. 2021-22	
	(Old Regime)		(New Regime)	
<u>Income from Salary</u>				
Gross Salary	6,00,000		6,00,000	
Less: Standard deduction	50,000		-	
Less: Profession tax	2,500		-	
		7,47,500		6,00,000
<u>Income from House Property</u>				
Rent received	4,80,000		4,80,000	
Less: Standard deduction u/s 24	1,44,000		1,44,000	
		3,36,000		3,36,000
Income from Other Sources		2,02,000		2,02,000
<b>GROSS TOTAL INCOME</b>		<b>10,85,500</b>		<b>11,38,000</b>
<u>Less: Deduction under Chapter VIA</u>				
Section 80C - LIC, PPF etc	1,50,000		-	
Section 80D – Mediclaim	25,000		-	
Section 80G - Donation to PM Cares Fund (Note 2)	45,525		-	
		2,20,525		-
<b>TOTAL TAXABLE INCOME</b>		<b>8,64,975</b>		<b>11,38,000</b>

# DONATIONS - OLD TAX REGIME VS NEW TAX REGIME

**ASSESSMENT YEAR 2021-22**  
**DONATION TO OTHER FUND/ORGANISATION**

**NOTE 2**

PARTICULARS	A.Y. 2021-22 (Old Regime)		A.Y. 2021-22 (New Regime)	
Donation Made (A)	1,50,000		1,50,000	
Gross Total Income	10,85,500		-	
Less: Deduction under chapter VIA other than 80G	1,75,000		-	
	9,10,500		-	
10% of above amount (B)		91,050		N.A.
Qualifying amount - lower of (A) and (B)		91,050		N.A.
Maximum deduction allowable - 50% of qualifying amount		45,525		

## DONATIONS GIVEN BETWEEN 1<sup>ST</sup> APRIL & 30<sup>TH</sup> JUNE

If you have given (or plan to give) a donation during the period 1<sup>st</sup> April, 2020 and 30<sup>th</sup> June, 2020, you need to be careful before deciding which year you would like to show that donation in your tax returns

# DONATIONS MADE BY EMPLOYEES THROUGH EMPLOYER

- Many companies are collecting small amounts from their employees (say 1 day's salary or one week's salary etc) and donating the total to PM CARES Fund.
- In such cases, the Fund may not be able to issue separate receipt/certificate to every such employee in respect of the donation.
- Recently, a clarification has been issued whereby deduction in respect of such donations will be admissible u/s 80G of the Act on the basis of the Form 16/Certificate issued by the employer.

# DONATIONS BY COMPANIES

- Similar to individuals, companies making donations between 1st April, 2020 and 30th June, 2020, shall also have the option to claim the benefit of deduction under section 80G in A.Y. 2020-21 or A.Y. 2021-22. The deduction should not be claimed in both assessment years for the same donation.
- The Taxation Laws (Amendment) Act, 2019 provides concessional rates of tax to domestic companies u/s 115BAA (new regime where in the tax rate is 22%) with effect from AY 2020-21. However, companies opting for the new regime have to forego certain deductions. Fortunately, deduction u/s. 80G is still allowed to companies opting under the new regime for **A.Y. 2020-21**.
- However, as per Finance Act, 2020 there has been an amendment in section 115BAA and hence companies opting for new regime cannot claim deduction u/s 80G from AY 2021-22 onwards.
- Accordingly even though the deduction of donations made to PM CARES FUND u/s 80G between 1<sup>st</sup> April 2020 and 30<sup>th</sup> June 2020 can be claimed in either years i.e AY 2020-21 or AY 2021-22, for companies opting for new tax regime, the deduction would not be available in AY 2021-22.

**LET US NOW HAVE A LOOK AT HOW THE  
ELIGIBILITY TO CLAIM DEDUCTIONS WILL  
PLAY OUT UNDER THE OLD TAX REGIME VS  
THE NEW TAX REGIME FOR COMPANIES**

# DONATIONS BY COMPANIES - OLD TAX REGIME VS NEW TAX REGIME

## DONATION TO PM CARES FUND

PARTICULARS	A.Y. 2020-21		A.Y. 2020-21		A.Y. 2021-22	
	(Old Regime)		(New Regime)		(New Regime)	
<u>Profits from Business &amp; Profession</u>						
Profit as per books		50,00,000		50,00,000		50,00,000
<u>Add: Expenses disallowed</u>						
Depreciation as per Companies Act		<u>1,00,000</u>		<u>1,00,000</u>		<u>1,00,000</u>
		51,00,000		51,00,000		51,00,000
<u>Less: Expenses allowed</u>						
Depreciation as per Income tax	80,000		80,000		80,000	
Additional dep u/s 32(1)(iia)	20,000	1,00,000	0	80,000	0	80,000
<b>Gross Total Income</b>		<b>50,00,000</b>		<b>50,20,000</b>		<b>50,20,000</b>
<u>Less: Deductions under Chapter VIA</u>						
Section 80G - Donation to PM Cares Fund (100% of amount donated)	1,50,000		1,50,000		0	
		1,50,000		1,50,000		0
<b>TOTAL TAXABLE INCOME</b>		<b>48,50,000</b>		<b>48,70,000</b>		<b>49,20,000</b>



# THANK YOU

ameet.patel@mca.co.in



@patelameet

## Manohar Chowdhry & Associates

CHARTERED ACCOUNTANTS

116, Udyog Mandir No. 1, 7-C, Bhagoji Keer Marg,  
Mahim West, Mumbai – 400016, Maharashtra, India.  
Tel: +91 22 24445064 | Web: [www.mca.co.in](http://www.mca.co.in)

Chennai Bengaluru Gurugram Hyderabad Mumbai Vizag  
Coimbatore Kochi Madurai Mangaluru Vijayawada Nellore